



NATIONAL CATTLEMEN'S BEEF ASSOCIATION

1301 Pennsylvania Ave., NW, Suite #300 • Washington, DC 20004 • 202-347-0228 • Fax 202-638-0607

Review of Multilateral and Bilateral Agriculture Trade Negotiations

Testimony

of the

National Cattlemen's Beef Association

to the

**United States House of Representatives
Committee on Agriculture**

Presented by

**Ernie Reeves
Regional Vice President for Policy
Mt. Solon, Virginia**

June 18, 2003

Producer-directed and consumer-focused, the National Cattlemen's Beef Association is the trade association of America's cattle farmers and ranchers, and the marketing organization for the largest segment of the nation's food and fiber industry.

AMERICA'S CATTLE INDUSTRY

Denver

Washington D.C.

Chicago

Chairman Goodlatte and members of the Committee; the National Cattlemen's Beef Association (NCBA) appreciates the opportunity to present our views on the current situation regarding multilateral and bilateral agriculture trade negotiations. I am Ernie Reeves, a NCBA Regional Vice President for Policy from Mt. Solon, Virginia and this morning I would like to provide an overview of our philosophy and position regarding the significant number of challenges and opportunities before us regarding US beef trade.

NCBA supports trade initiatives that reduce barriers to access for U.S. beef. NCBA and many other U.S. agricultural organizations worked tirelessly for Trade Promotion Authority (TPA) and support the Administration's pro-trade agenda. We support this agenda because it is the right thing to do for U.S. agriculture and for the country. Trade liberalization has been a key to economic growth for centuries. Nonetheless, there is concern that past negotiations have given more access than we have received. Future trade agreements must provide favorable access for U.S. agricultural products. We need trade agreements that provide opportunities for U.S. beef producers to expand their ability to export product.

The U.S. is the world's largest beef importer and the second largest beef exporter. In 2002, the U.S. imported approximately \$2.8 billion of beef and variety meats (\$887 million from Australia) and exported \$3.2 billion. Due to the unique position of our industry as importer and exporter, NCBA must consider balance, equity, and fairness of proposed trade initiatives to assure that any agreement provides net access for U.S. beef. Perceptions in some parts of the industry are that this has not always been the case. Indeed the U.S. is the most open, least restricted major beef market in the world. At the same time the U.S. beef industry has witnessed firsthand the value of market opening trade agreements.

Multilateral Market Access

In a world of unlimited trade issues and limited negotiating resources, NCBA strongly prefers focusing on the World Trade Organization's (WTO) "Doha Round" multilateral initiative. The expansion in market access for US beef during the past decade was directly related to our negotiations during the Uruguay Round. The Doha Round will again provide us with a tremendous opportunity to reduce impediments to beef trade around the world and we must not squander it. Furthermore, NCBA will not support increased access to the U.S. beef market until meaningful access and tariff reduction is achieved in other major beef importing countries.

Like most, NCBA is impatiently waiting for the EU to resolve its outstanding issues related to its enlargement from 15 to 25 countries and reform the Common Agricultural Policy so it can get to the WTO negotiating table. We loudly applaud any and all Administration and Congressional efforts to persuade the EU to actively engage in the WTO negotiating process as soon as possible.

A Bilateral Parallel Track

When it comes to bilateral agreements, the US beef industry instantly thinks of the remarkable success story that is the North American Free Trade Agreement (NAFTA). Those who sought this agreement nearly a decade ago never imagined that one day Mexico would be our number one (or two) market for so many agricultural commodities.

The NAFTA, has contributed to a thirty-three percent increase in per capita income over the last five years for Mexico's 103 million citizens. This increase in disposable income has led

directly to increased Mexican beef consumption. While Mexico's domestic beef production has struggled to expand and meet this demand in recent years due to drought, U.S. beef and variety meat exports to Mexico have grown. From an inconsistent market of about 100,000 mt and \$200 million prior to NAFTA, Mexico was our most significant market in terms of tonnage in 2002 of 350,000 mt and \$854 million. (Despite its BSE crisis of late 2001, Japan remains our best market with 2002 beef and variety meat exports totaling \$1.028 billion.)

This is a mutually beneficial trading relationship as the U.S. also imports around one million head of Mexican feeder cattle each year that have a value of over \$300 million. In fact, today's integrated North American cattle market now looks very much like what was envisioned a decade ago by NAFTA proponents with consumer-driven economic signals dictating the future direction of this industry. The challenge before us in future bilateral agreements is to improve upon the NAFTA and negotiate with countries that offer the best opportunities for the US economy as a whole, US agriculture and the US beef industry.

US-Chile Free Trade Agreement (FTA)

The U.S. - Chile FTA appears to demonstrate solid improvement in many areas since the NAFTA. It should serve as a model for the Central American agreement (CAFTA) and others as well as an eventual Free Trade Agreement of the Americas (FTAA). A critical element of this agreement is Chile's recent acceptance of the U.S. meat grading system as equivalent to Chilean "Norms." NCBA also strongly supports the agreement's system-wide approval of each country's inspection systems. We recommend that meaningful oversight be continued by our government to ensure that equivalency is achieved and maintained. In addition, the agreement provides phased-in duty free access that becomes unlimited during the fourth year of the agreement. Chilean beef also enjoys the same phase-in access to the U.S. market.

US-Central America Free Trade Agreement (CAFTA)

Increasing trade relationships with Central American countries will contribute to economic growth, political stability, bolster front-line defenses against the introduction of foreign animal diseases into North America and have the potential to moderately increase U.S. exports of high quality beef. NCBA stands ready to lend our support in any way necessary to achieve that end.

The U.S. and Central America have an established track record in jointly eradicating animal diseases and pests such as FMD and the screwworm from Central and North American livestock populations. Central America serves as the buffer zone between North American and South America, where these diseases and pests are still prevalent. The Darien Gap in Panama is where this front line of defense against reintroduction exists today.

Only a few countries in Central America currently export beef to the U.S. under the 64.81 thousand metric ton "Other Countries" TRQ. However, only 35 percent of this quota has been utilized in recent years. There is also potential to export moderate quantities of high quality U.S. beef for Central American restaurants and tourism.

With these negotiations soon reaching a critical phase, NCBA believes there are three key aspects that need to be considered. The first is that this agreement must not exclude ANY agricultural product. Secondly, the five participating Central American governments must begin

to understand that US congressional ratification of this agreement will be difficult and improbable without the support of US agriculture on Capitol Hill. Third, the beef industry does not consider it acceptable for the participating countries to increase their tariffs from the current applied rates to the WTO bound rates prior to harmonization, so as to negotiate down from a higher level. We expect our Central American trading partners to negotiate this agreement in good faith – market access negotiations on tariff rate should start at the current applied tariff rates.

US-Australia FTA

The U.S. is already the most open, least restricted major beef market in the world and NCBA firmly believes that there would be **no net benefit** for the U.S. cattle industry from an FTA with Australia. We continue to believe that the multi-lateral WTO negotiations provide the best strategy for reducing unfair trade barriers and opening markets for U.S. agricultural products. Beef markets in other developed countries remain virtually closed to U.S. beef (EU) or protected by relatively high tariffs (Japan at 38.5 percent and Korea at 41.4 percent).

Australia filled its quota for the first time ever during the week of December 5, 2001. Product was placed in bonded storage during December 2001 and released after January 1, 2002 causing front-loading of imports from Australia during 2002. In early October 2002, the Australian Government announced the implementation of a tariff rate quota management system, which controls the amount of product that each exporter can send to the United States to manage the remaining allocated TRQ. However, cattle slaughter has markedly declined in Australia due to drought-reduced supplies.

Australia did not fill its TRQ in 2002. (See attachment 1) Therefore, NCBA does not believe that increasing Australia's access to the US beef market is warranted. Conversely, Australia will never be a market of any consequence for US beef.

Recent developments regarding the timeline for negotiating this agreement are very concerning to NCBA. The shadow this situation casts over our long-time support of trade liberalization can only be brightened via greater multi-lateral access negotiated on a parallel track.

Free Trade Area of the Americas (FTAA)

NCBA is closely following FTAA negotiations and does not outright oppose an FTAA. It makes no sense to ignore the more than 500 million consumers that inhabit the Americas outside the United States. Again, however, our position is that we will only support initiatives that are conducted on a parallel track with multilateral WTO negotiations and result in a net increase in U.S. beef exports. We note that both the Doha development agenda and the FTAA are to be concluded by 2005, meaning that at this time both negotiations are proceeding on a parallel track.

Future FTA Countries

NCBA supports the concept of establishing criteria to evaluate future countries that are interested in an FTA with the US. US agriculture urgently needs a win with the bilateral

component of our trade agenda and we look forward to an opportunity to engage Congress in the development of a set of criteria and priorities for future bilateral FTAs.

Maintaining Existing Agreements

Our trade expansion goals also mean that we simply cannot let existing trading relationships slip or be taken for granted. A firm commitment to existing agreements by industry stakeholders and the U.S. government must be maintained. This includes a constant fostering of relationships with our trading partners and constant vigilance with respect to maintaining compliance.

Both the Market Access Program (MAP) and the Foreign Market Development (FMD) Program are very important to the beef industry in that they are the primary avenue by which producers are able to build and maintain relationships with importers, retailers and others who use our product in the beef importing markets of the world. For FY 04 the MAP and FMD programs are authorized respectively at \$125 million and \$34.5 million. We request that these programs be funded at the fully authorized level through the appropriations process as they are essential to the viability of the U.S. beef industry.

Implementation of this strategy also means that our government needs to be adequately staffed. That means we need more full time equivalent employees (FTEs) devoted to trade agreement maintenance at both USDA and USTR. A letter we recently submitted requesting these FTEs is attached to this testimony. (Attachment 2) Our future success depends upon our ability to properly manage both new and existing trade agreements.

At this moment, NCBA is currently embroiled in challenges in our relationship with our top two customers: Mexico and Japan. We are also constantly reminded of our long-standing dispute with the EU, a case that our industry clearly won but has yet to fully resolve.

Market Access

The U.S. must hold its trading partners to commitments agreed to in previous trade agreements and aggressively negotiate access for U.S. agricultural commodities or risk losing public support for trade and international marketing. NCBA firmly believes that any expansion of access to the U.S. beef market must be part of an overall package that gains access for U.S. beef exports in Europe (EU as well as aspiring EU members), Japan, Korea and other existing and emerging international beef markets. **NCBA will oppose any agreement that allows a net increase in access to the U.S. beef market.** A strong, clear and irrevocable message must be sent to Cairns Group and Mercosur beef exporting countries -- major U.S. beef suppliers -- that **no** increased access to the U.S. beef market will be forthcoming until meaningful access and tariff reduction is achieved in other major beef importing countries.

SUMMARY

The National Cattlemen's Beef Association is focused on meeting our trade objectives by participating in the process of evaluating critical trade issues within the beef industry. NCBA looks forward to providing additional input as the U.S. advances its proposals at the WTO, negotiates bi-lateral and regional agreements and resolves a growing list of SPS issues with the European Union, Russia and other trading partners.

A recent analysis of future trends shows U.S. beef production growing 14 percent by 2012 and a subsequent 28 percent (or roughly \$900 million) increase in U.S. beef exports. Clearly, our industry's future growth is dependent upon our ability to export.

NCBA appreciates the initiatives that have been undertaken to gain access to international markets and to resolve lingering issues that restrict the ability of the U.S. beef industry to offer its products to international consumers. We look forward to working with all of our trading partners to address industry concerns about current global disparities in market access, export subsidies and domestic support as well as maintaining the disease-free status of the U.S. herd. Thank you for the opportunity to present this information before the committee. I'd be willing to answer questions at the appropriate time.

Attachment 1

Beef Imports Subject to TRQ from Primary Suppliers:						
January 1 - December 31, 2001 vs. 2002						
Volume (Thousand Metric Tons)						
				Tariff Rate		
	2001	2002	% Change	Quota	% Fill '01	% Fill '02
Canada	348.40	383.52	10.08	0.00	NA	NA
Australia	378.21	370.37	-2.07	378.21	100.00	97.93
New Zealand	206.75	186.32	-9.88	213.40	96.88	87.31
Argentina	3.72	0.00	-100.00	20.00	28.60	0.00
Uruguay	8.82	0.00	-100.00	20.00	44.10	0.00
Mexico	3.27	3.56	8.84	0.00	NA	NA
"Others"	22.57	22.12	-2.01	64.81	34.83	34.13
US Beef Imports from TRQ Suppliers						
	971.75	965.89	-0.60			